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CASE NOS. 85-1190 AND 85-1207

IN THE

Supreme Court of the United States

OCTOBER TERM, 1985

ASSOCIATED GAS DISTRIBUTORS AND
PUBLIC SERVICE COMMISSION OF
THE STATE OF NEW YORK,
Petitioners,

v.

FEDERAL ENERGY REGULATORY COMMISSION,
Respondent.

TRANSCONTINENTAL GAS PIPE LINE
CORPORATION, *ET AL.*,
Petitioners,

v.

FEDERAL ENERGY REGULATORY COMMISSION,
Respondent.

BRIEF IN OPPOSITION TO PETITIONS FOR A WRIT OF CERTIORARI

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COUNTERSTATEMENT OF QUESTION PRESENTED

Do ceiling prices under the Natural Gas Policy Act of 1978 apply only to the natural gas as a commodity produced at the wellhead, as found by the Court of Appeals, or do the ceiling prices also include the value of transportation of liquid and liquefiable hydrocarbons provided by pipelines?

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FEDERAL ENERGY REGULATORY COMMISSION,
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BRIEF IN OPPOSITION TO PETITIONS FOR A WRIT OF CERTIORARI

The undersigned producers (Producers),[1] parties to the proceedings before the Federal Energy Regulatory

1. The parties joining in this Brief are listed on the inside page of the cover. The subsidiaries and affiliates of these Companies are included in the Appendix.

Commission (Commission) and the Court of Appeals, submit this Brief in Opposition to the Petitions, in accordance with Rule 22 of this Court.[2]

COUNTERSTATEMENT OF THE CASE

The Statement of the case presented by Petitioners Associated Gas Distributors, *et al.*[3] (AGD) and Transcontinental Gas Pipe Line Corporation, *et al.*[4] (Transco) does not reveal facts, and fails to disclose the basis for the decision of the Commission and the Court of Appeals.

A contract for the sale of natural gas by a producer to an interstate pipeline company or other purchaser consists of two basic components:

> (1) The *price* received for the commodity itself, *i.e.*, natural gas, which is produced at the wellhead, at which point the *production* operation ceases; and
>
> (2) The *services* to be performed by either the producer or the purchaser after production. These services may be necessary to gather the gas from various wells, compress it, treat the gas to remove impurities, and process the gas to remove valuable liquid or liquefiable hydrocarbons which may then be sold in liquid form. The need for these services,

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2. Sup. Ct. Rule 22.

3. The Petitioners in Case No. 85-1190 are the Associated Gas Distributors (listed in the Petition) and the Public Service Commission of the State of New York.

4. The Petitioners in Case No. 85-1207 are: ANR Pipeline Company, Interstate Natural Gas Association of America, Natural Gas Pipeline Company of America, Sea Robin Pipeline Company, Southern Natural Gas Company, Tennessee Gas Pipeline Company, Texas Eastern Transmission Corporation and United Gas Pipe Line Company.

and the decision whether the various services are to be performed by the producer or the purchaser varies from well to well, depending on the quality and pressure and liquid content of the gas.

The Orders here at issue focus on only one of the many services capable of being performed by either producer or pipeline: *i.e.*, the transportation of the unprocessed gas, containing liquid and liquefiable hydrocarbons,[5] from the wellhead to a gas processing plant. These liquid and liquefiable hydrocarbons are extracted and the residue gas is delivered to the purchaser at the plant tailgate for resale to its customers. The Orders relate to cases where this transportation service is performed by the pipeline purchaser.

In pipeline rate proceedings, the Commission allocates a portion of these transportation costs of the unprocessed gas to the cost of transporting the portion of the common steam that is liquefied at the processing plant by the producer for its own account. By reason of this allocation, the costs attributable to the transportation of the producer's liquids and liquefiables are taken out of the rates charged to gas consumers. The Commission leaves to the contract between the parties the determination of whether some or all of these costs are recovered by the pipeline from the producer.

In some cases, the contracts provide that the compensation paid by the producer to the pipeline for the service of transporting these liquid and liquefiable hydrocarbons is less than the amount the Commission has allocated to this function in the pipeline rate cases. Petitioners here assert that the ceiling price paid for the gas as a com-

5. *See* Transco Petition, at 3, n.3.

modity at the wellhead *must be reduced* by an amount at least equal to the difference between the consideration provided in the contract for the transportation of liquid and liquefiable hydrocarbons and the cost allocated to that function by the Commission. Otherwise, say Petitioners, the ceiling price is exceeded.

Contrary to the implication contained in Petitioners' Briefs, these contractual arrangements are not and could not be intended to circumvent the Natural Gas Policy Act of 1978 (NGPA) ceiling prices. These arrangements have been common in natural gas sales contracts for many years prior to enactment of the NGPA and before the Commission determined what portion of the transportation costs incurred by the pipelines should be allocated to the transportation of liquid and liquefiable hydrocarbons. Moreover, these contractual arrangements were lawful under the Commission's Natural Gas Act (NGA) regulation at the time of enactment of the NGPA. National rates for regulation of producer wellhead prices under the NGA did not require that a deduction be made for the cost or value of pipeline transportation of liquids and liquefiables.

Therefore, the Commission, and the Court of Appeals on review, were faced with making a decision between two opposing interpretations of the NGPA, to-wit:

1. Did the ceiling prices set out in the various sections of the NGPA apply only to the natural gas, as a commodity; *or*

2. Did the ceiling prices set out in the NGPA also include the downstream services performed by pipelines, such as transportation of liquids or liquefiable hydrocarbons?

After carefully weighing arguments favoring each interpretation, the Commission decided that the first interpretation of the NGPA was correct.[6] The Court of Appeals agreed with the Commission.[7]

ARGUMENT

A. The Basis On Which The Court Of Appeals And The Commission Reached Their Decisions Is Misconstrued And Misstated By The Petitioners.

Both AGD[8] and Transco[9] assert that the Commission's Orders rest solely on the ground that the Commission defined the "price" paid for natural gas under a gas sales contract to be limited to the monetary consideration paid to the producer, and excluded all non-monetary considerations included in the contract from the definition of the "price." Having set up this strawman, Petitioners then proceed to tear it down by arguments that "price" should include non-monetary considerations flowing to the gas producer under the contract as well.[10] Further, the Petitioners rely on their mischaracterization of the Commis-

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6. 22 FERC ¶ 61,013, App. 29a-50a, *aff'd on rehearing*, 24 FERC ¶ 61,004 (1983), App. 51a-77a.

7. Texas Eastern Transmission Corp., *et al.* v. F.E.R.C., 769 F.2d 1053, 1068-1069 (5th Cir. 1985), App. 24a-26a.

8. Petition, at 4-6.

9. Petition, at 8-19.

10. Transco Petition, at 9-10; AGD Petition, at 5. The citations to cases under the Interstate Commerce Act (at 5, n.5) are inapposite, as the rate structures under this Act are different from the price ceilings under the NGA and the NGPA. *See* United Gas Pipe Line Co. v. Mobile Gas Service Corp., 350 U.S. 332, 338-339 (1956); Pennzoil Co. v. F.E.R.C., 645 F.2d 350 (5th Cir. 1981).

sion's Order to engage in hyperbole, claiming that the Order will lead to widespread circumvention of NGPA ceilings by the use of a "loophole," *i.e.*, structuring gas sales in exchange for non-monetary consideration.[11]

The Orders below rest on an entirely different ground. In its Orders, the Commission drew a distinction, not between monetary and non-monetary types of consideration, but instead between the "price" paid for the natural gas produced at the wellhead[12] and the consideration for those *services* performed *after* the gas left the wellhead. Indeed, the Commission specifically found that non-monetary considerations, such as gemstones, metals or common stock, received for the gas itself would be taken into account in enforcing NGPA ceiling prices.[13] In assuring that circumvention of NGPA ceiling prices would not be countenanced, the Commission distinguished such artificial pricing structures involving non-monetary consideration and the transportation of liquid and liquefiable hydrocarbons that "are a traditional part of pipeline-producer contracting practices."[14]

The typical gas sales contract provides for a price *for the gas* and, *in addition*, provides for the assignment of responsibilities between the producer and the pipeline to provide various post-production services which involve costs. If the Commission were required to take these services into account, together with the price paid for the gas itself, and compare the *total* of the two to the maxi-

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11. AGD Petition, at 5; Transco Petition, at 20.

12. *See* 22 FERC ¶ 61,013, at 61,027, n.21, App. 41a.

13. *See* 24 FERC ¶ 61,004, at 61,022, App. 61a-62a.

14. *Id.*

mum lawful price,[15] the process would become, in the Commission's words, "extra-ordinarily complex."[16]

The Commission noted:

> The legislative history of the NGPA shows that Congress sought to avoid uncertainty and delay by generally pricing gas at the wellhead in simple dollar amounts. More specifically, the legislative history of the NGPA shows the maximum lawful price was for gas at the wellhead, without any offset.[17] (nn. omitted)

The Commission's view reflects this Court's observation in *Public Service Commission of the State of New York v. Mid-Louisiana Gas Company*, 463 U.S. 329, ——, (1983), that the NGPA established "a precise schedule of price ceilings. . . ."

The Commission did not rest its decision on whether the consideration paid the producer was monetary or

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15. The maximum lawful price is described in the NGPA itself as a "wellhead price." (*See* 15 U.S.C.A. § 3311, title to Subchapter and again to Part A thereof.)

16. 22 FERC ¶ 61,013, at 61,024, App. 43a-44a; The Commission further stated:

> "Under AGD's and Tetco's [Transco's] reading of the NGPA, all non-monetary considerations—whether flowing from the seller or flowing from the buyer—(not just the transportation of removed substances) would have to be assigned a value. Only after the total "cost" or "value" of *all* services and considerations performed by the seller and the buyer were computed, could the net consideration paid for the gas be compared with the Title I maximum lawful price. This massively complex system of costing and valuing every quantum of consideration was plainly not intended by Congress which generally sought in Title I to spur production by setting non-cost-based, incentive ceiling prices at the wellhead." 22 FERC ¶ 61,013, at 61,024, App. 43a-44a.

17. 22 FERC ¶ 61,013, at 61,024, App. 44a.

non-monetary, but took into consideration the intent of Congress on the question of where, and to what, the maximum lawful price applied. Citing pertinent legislative history,[18] the Commission affirmed that this ceiling price was applicable only to the consideration (or "price" or "value") paid for the gas at the wellhead.[19]

On review, AGD and Transco again laid their arguments before the Court of Appeals, and were again rejected. The Court concluded that "[i]t therefore does not seem unreasonable or inconsistent with the purposes of the NGPA to require the pipelines to adhere to their contracts."[20] The Court of Appeals further stated:

> [W]e are unpersuaded that the Congress intended to require the Commission to consider this particular service as a part of the price. Accordingly, we defer to the Commission's reading of the statute.
>
> . . . .
>
> Moreover, this scheme frees the Commission from the endless chore of assigning a value to every

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18. *See* 22 FERC ¶ 61,013, at 61,028, nn. 27, 28, App. 44a.

19. The Commission reaffirmed its interpretation of the NGPA on rehearing, rejecting the same arguments made by Petitioners to this Court. The Commission stated:

> "There is really only one choice possible: an interpretation of Title I that provides certainty of pricing. This is consistent with the intent of Congress and most appropriate to carry out the Commission's functions under the NGPA. The other alternative would not have furthered these purposes and would have resulted in a massively complex, if not unenforceable, system of costing and valuing every quantum of consideration in thousands of gas purchase contracts." 24 FERC ¶ 61,004, at 61,022, App. 61a.

20. 769 F.2d 1053, 1069 (1985), App. 26a.

aspect, every covenant, every warranty in a gas contract.[21]

B. The Commission's Interpretation Of The NGPA Is Consistent With The Commission's Practice Which Was In Place Prior To The Enactment Of The NGPA.

Transco states (at 4, n. 4) that prior to the enactment of the NGPA the Commission's practice was to require a downward adjustment in the wellhead ceiling price to reflect the value of the transportation services performed here, citing the *Southern Louisiana Area Rate Prodeeding*.[22] In its Orders, the Commission specifically refuted such a characterization of its prior practice.[23] In any

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21. App. 25a-26a. In an attempt to counter the language of the Commission's Orders and the Court of Appeals' Opinion, Transco cites a Notice of Proposed Rulemaking in another case issued two and one-half years earlier, and a brief of the Commission's Trial Staff in a recent case pending before the Commission, *see* Transco Br. at 10, n.18. Neither of these rise to the level of Commission precedent, *see* 24 FERC ¶ 61,004, at 61,025, App. 74a.

22. 46 F.P.C. 86 (1971), *aff'd*, Placid Oil Co. v. F.P.C., 483 F.2d 880 (5th Cir. 1973), *aff'd sub nom.* Mobil Oil Corp. v. F.P.C., 417 U.S. 283 (1974).

23. 24 FERC ¶ 61,004, at 61,021, App. 57a-59a. Also contrary to Transco's assertion (at 15), it cannot be inferred from Section 110 of the NGPA that Congress intended to require the Commission to include the costs or value of the transportation of liquids and liquefiables within NGPA ceiling prices. Section 110 relates only to allowances that producers may collect by Commission order for services producers provide to their purchasers. It does not relate, as do the Commission Orders at issue here, to traditional services provided to producers by pipeline purchasers. Indeed, to the extent any inference can be drawn from Section 110, it supports the Commission. The inclusion of Section 110 indicates that Congress intended that the ceiling prices prescribed in the other sections of the NGPA were intended to refer to the price of the natural gas as a commodity at the wellhead, and that the post-production services provided by producers were not covered by the ceiling prices stated in Sections 102 through 109 of the NGPA.

event, the Commission's *Southern Louisiana* decision was superseded by three *National Rate decisions*,[24] which did not provide for any downward adjustment in the ceiling prices for services performed by pipelines for producers as provided by their contracts.[25] In other words, the cost or value of liquids and liquefiables transportation was not part of the "price" for natural gas under the NGA. The failure of Congress to deal expressly with the subject creates a presumption that it did not intend to change prior Commission practice.[26]

C. Petitioners Have Not Satisfied The Required Standard Of Review.

In *Federal Election Commission v. Democratic Senatorial Campaign Committee*,[27] this Court outlined the deference that should be accorded the interpretation of an agency, such as the Commission in this case, in which Congress has vested primary and substantial responsibility

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24. First National Rate Case For New Gas, 52 F.P.C. 1604 (1974), *aff'd sub nom.* Shell Oil Co. v. F.P.C., 520 F.2d 1061 (5th Cir. 1975), *rehearing denied*, 525 F.2d 1261 (5th Cir. 1976), *cert. denied sub nom.* California Co. v. F.P.C., 426 U.S. 941 (1976); Second National Rate Case For New Gas, 56 F.P.C. 509 (1976), *on rehearing*, 56 F.P.C. 2698 (1976), *aff'd*, American Public Gas Ass'n v. F.P.C., 567 F.2d 1016 (D.C. Cir. 1977), *cert. denied* 435 U.S. 907 (1978); and National Rate Case For Flowing Gas, 54 F.P.C. 3090 (1975), *aff'd*, Tenneco Oil Co. v. F.E.R.C., 571 F.2d 834 (5th Cir. 1978), *cert. dismissed*, 439 U.S. 801 (1978).

25. *See* Second National Rate Case, 56 F.P.C. 2698, 2807-2809; *see also* 18 C.F.R. § 2.56b(d) and (e).

26. Interstate Natural Gas Ass'n of America v. F.E.R.C., 716 F.2d 1 (D.C. Cir. 1983), *cert. denied*, 465 U.S. 1108 (1984). *See also* Public Service Comm'n of New York v. Mid-Louisiana Gas Co., 463 U.S. 319 (1983).

27. 454 U.S. 27 (1981).

for administering and enforcing a statute. There, this Court stated that:

> [T]he task for the Court of Appeals was not to interpret the statute as it thought best but rather the narrower inquiry into whether the Commission's construction was "sufficiently reasonable" to be accepted by a reviewing court . . . to satisfy this standard it is not necessary for a court to find that the agency's construction was the only reasonable one or even the reading the court would have reached if the question initially had arisen in a judicial proceeding.[28]

If this Court finds that "the statute is silent or ambiguous with respect to the specific issue, the question for this Court is whether the agency's answer is based on a permissible construction of the statute."[29] This Court also has stated "that the construction of a statute by those charged with its execution should be followed unless there are compelling indications that it is wrong."[30]

Deference given by the Court of Appeals to the Commission's construction of the NGPA was particularly appropriate in this case. The Commission has express statutory authority to define terms used in the NGPA.[31] The Court of Appeals found that the Commission's inter-

28. *Id.*, at 39. *See also* Udall v. Tallman, 380 U.S. 1, 16 (1965).

29. Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc., 467 U.S. 837, _____, 104 S. Ct. 2778, 2781-83, 81 L.Ed.2d 694, 703-04 (1984); Chemical Manufacturer's Association v. Natural Resources Defense Council, Inc., _____U.S._____, 105 S. Ct. 1102, 1108 (1985).

30. Red Lion Broadcasting Co. v. F.C.C., 395 U.S. 367, 381 (1969).

31. Section 501(b) of the NGPA, 15 U.S.C. § 3411(b).

pretation is reasonable.[32] The Commission's construction can have no impact on the consumers of natural gas. By allocating the cost of transporting liquid and liquefiable hydrocarbons out of the pipeline's rate base, the Commission has made sure that none of those costs will be paid by gas consumers.[33] The pipeline purchaser is merely held to the provisions of its contract, as the Court of Appeals noted below.[34]

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32. 769 F.2d 1053, 1069 (1985), App. 26a. Transco devotes an entire section of its Petition (at 16-18) to a red herring argument that the Commission's Order preempts state contract law by its definition of "price" and "transfer for value" in the NGPA. On the contrary, it is Transco which seeks to avoid the clear provision of its contract by an interpretation of the NGPA ceiling prices which reduces the price for the gas received *below* that provided by the contract *and* the statute.

33. This was the method recommended by the Court of Appeals for dealing with this problem in an earlier case, *see* Mobil Oil Corp. v. F.P.C., 483 F.2d 1238, 1243 (D.C. Cir. 1973).

34. 729 F.2d 1053, 1069 (5th Cir. 1985), App. 26a.

CONCLUSION

No valid grounds exist for review by this Court of the interpretation of the NGPA adopted by the Commission and affirmed by the Court of Appeals. This interpretation is reasonable, consistent with Congressional intent, and within the area of discretionary expertise which is subject to limited Court review. The Petitions for Certiorari should be denied.

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APPENDIX A

LIST OF PARENT COMPANIES, SUBSIDIARIES AND AFFILIATES REQUIRED BY RULE 28.1

Pursuant to Rule 28.1, Producers list their parent companies, subsidiaries (other than wholly-owned subsidiaries) and affiliates. This list is limited to entities with stock or debt securities publicly traded in the United States or Canada:

AMERADA HESS CORPORATION

Amerada Hess Corporation has no subsidiaries or affiliates.

AMOCO PRODUCTION COMPANY

Amoco Production Company is a wholly-owned subsidary of Amoco Corporation. The subsidiaries and affiliates (not wholly owned by Amoco Corporation or a wholly-owned subsidiary) of Amoco Production Company are:

Amoco Australia Limited
Amoco Canada Petroleum Company, Ltd.
Amoco Credit Corporation
Amoco Oil Holdings S.A.
Amoco (U.K.) Exploration Company
Analog Devices Inc.
Cetus Corporation
Cyprus Mines Corporation

ARCO OIL AND GAS COMPANY

ARCO Oil an Gas Company is a division of Atlantic Richfield Company. The subsidiaries and affiliates (not wholly owned) of Atlantic Richfield Company are:

Alyeska Pipeline Service Company
Anamax Mining Company
Badger Pipeline Company
Black Lake Pipe Line Company
Caribou-Chaleur Bay Mines Ltd.
Colonial Pipeline Company
Cook Inlet Pipe Line Company
Dixie Pipeline Company
East Texas Salt Water Disposal Company
85819 Canada Limited
Eisenhower Mining Company
Flower Street Limited
Kenai Pipe Line Company
Kuparuk Transportation Company
Las Quintas Serenas Water Company
Park Cummings Mining Company
Park-Premier Mining Company
Platte Pipe Line Company
Princé Consolidated Mining Company
Rodman, Inc.
Smoke House Copper Mining Company
Tecumseh Pipe Line Company
Texas-New Mexico Pipe Line Company

ASHLAND EXPLORATION, INC.

Ashland Exploration, Inc. has the following parent companies, subsidiaries (except wholly-owned subsidiaries) and affiliates:

Arch Mineral Corporation
Ashland Coal, Inc.
Ashland Oil, Inc.
Establissement Locab
Super Mom's Kitchens, Inc.
B.V. Ashland-Suedchemie v/h Necof
CARBOGAL-Carbonos de Portugal S.A.R.L.
Datacare, Inc.
Gravecap, Inc.
Iberia Ashland Chemical S.A.

Locap, Inc.
LOOP, Inc.
Melamine Chemicals, Inc.
Minnesota Pipe Line Company
Saudi Industrial Resins Limited
Tecumseh Pipe Line Company
United Carbon India Limited
Australian Carbon Black Pty. Ltd.
Malaysian Carbon Sdn. Bhd.
P.T. Indocarb
Negroven, S.A.
Applied Chemical Products (Pty) Ltd.
Applied Agricultural Products (Pty) Ltd.
Applied Foundry Products (Pty) Ltd.
Applied Industrial Products (Pty) Ltd.
Chematron Products (Pty) Ltda.
Ashland-Avebene
Ashland Croda Pty. Ltd.
Ashland de Mexico S.A. de C.V.
Ashland Resinas Sinteticas, Ltd.
Ashland-Suedchemic-Kernfest GmbH
Ashland-Suedchemic-Gremolith AG
Georg Hantos & Co. OGH
Kernfest-Webac, A.B.
Oleotecnica, S.A.
Medicine Bow Coal Company
Cumberland Materials, Inc.
Cresent Petroleum Company
Delmar Plaza Associates
500 Cary Corporation
Travelers Inns of Charlotte, Inc.
Travelers Inns of Winston-Salem, Inc.
Travelers Inns of Wytheville, Inc.
Resource Sciences-Arabia Ltd.
Resource Sciences Gulf Limited
Williams Brothers Iran Consulting Engineers
U.S. Felt Company
WICMAP Transport Pty. Ltd.
Williams Brothers Malaysia Sdn. Bhd.

CABOT CORPORATION

Cabot Corporation has no subsidiaries or affiliates which are listed on any stock exchange.

CHEVRON U.S.A. INC.

Chevron U.S.A. Inc. is a wholly-owned subsidiary of Chevron Corporation. The subsidiaries and affiliates (not wholly owned) of Chevron Corporation are:

A/S Jargul
A/S Jargul & Company K/S
Allied General Nuclear Services
AMAX, Inc.
Austamax Resources Limited
Australian Consolidated Minerals N.L.
Bio Research Center
Botswana RST Limited
Britamco Ltd.
Canada Tungsten Mining Corporation Limited
Canamax Resources, Inc.
Canyon Reef Carriers, Inc.
Cetus Corporation
Chicago Wire Goods Co. - H/FP
China Gulf Oil Company, Ltd.
Colonial Pipeline Company
Componentes Industriales Mexicandes, S.A.
Electronic Marketing Systems, Inc.
Emery Joint Venture
Explorer Pipeline Company
Felix Oil Company
Fresnillo Companies
G.S. Equipment & General Supply
General Atomic Europe Development Corp.
Gulf Oil Financial Corporation
Gulf Oil Realty Company 819
Gulf Oil Zaire S.A.R.L.
Harshaw-Bryce & Co. Pty. Ltd. - H/FP

Harshaw Chemical of Canada, Ltd. - H/FP
Harshaw Chemicals Limited - H/FP 381
Harshaw Chemie B.V. - H/FP 549
Harshaw Chemie G.M.B.H. - H/FP
Harshaw/Filtrol Partnership - H/FP 325-762
Harshaw Galvanotecnia S.A. - H/FP
Harshaw Holland N.V. - H/FP
Harshaw International Corporation - Disc
Harshaw - Juarez S.A. De C.V. - H/FP
Harshaw - Murata Kabushiki Kaisha - H/FP
Harshaw Nuclear Electronics, Inc. - H/FP
Hong Kong Refueling Company Ltd.
Huntington Beach Company
Industrial Nickel, Inc. - H/FP
Kentucky Agricultural Energy Corporation
Keydril (Nigeria) Ltd.
Kuwait Oil Company Limited
Lancer Chemical Corporation - H/FP
Laurel Pipeline Company
Long Beach Oil Development Company
Midwest Carbide Corporation
North River Energy Company
NOVA, an Alberta Corporation
Oklahoma Nitrogen Company
Pembroke Capital Company
Pembroke Cracking Company
Produtos Quimicos Somox, Ltda. - H/FP
Raffinerie de Cressier, S.A.
Rio Blanco Oil Shale Part.
Rosario Mexico S.A. de C.V.
Sarni Spa - Refining 579
Solvent Refined Coal International, Inc.
Stibium, Inc. H/FP
Transinsco Inc.
Transocean Group Inc.
UNC Resources, Inc.
West Texas Gulf Pipeline Company

CITIES SERVICE OIL AND GAS CORPORATION

Cities Service Oil and Gas Corporation is a wholly-owned subsidiary of Cities Service Company, which is, in turn, a wholly-owned subsidiary of Occidental Petroleum Corporation. Its non-wholly owned affiliates are:

Canadian Occidental Of California, Inc.
Southland Corporation

CONOCO, INC.

Conoco Inc. is a wholly-owned subsidiary of E.I. du Pont de Nemours and Company. The subsidiaries and affiliates (not wholly owned) of Conoco Inc. are:

Cit-Con Oil Corporation (Delaware)
Juliana Coal Co. (Partnership)
Coman I Limited (Partnership)
Coman II Limited (Partnership)
Coman III Limited (Partnership)
Conch L.N.G. (New Jersey)
Conoco Exploration, Ltd. (Partnership)
Continental Oil Limited (Partnership)
Conrhein Coal Co. (Partnership)
Cardinal River Coals, Ltd. (Alberta, Canada)
Harmar Coal Co. (Pennsylvania)
Tongue River Railroad (Partnership)
Oasis Oil Co. of Libya, Inc. (Delaware)
Colonial Pipeline Company (Delaware)
Milne Point Pipe Line Co. (Partnership)
Dixie Pipeline Company (Delaware)
Explorer Pipeline Company (Delaware)
Lake Charles Pipe Line Company (Delaware)
Pioneer Pipe Line Company (Delaware)
Platte Pipe Line Company (Delaware)
Yellowstone Pipe Line Company (Delaware)
Jupiter Chemicals, Inc. (Delaware)
Kettleman North Dome Assoc. (California)
Petroleum Terminals, Inc. (Indiana)

Southern Facilities, Inc. (Delaware)
The Standard Shale Products Company (Colorado)
Neptune Bulk Terminals (Canada) Ltd. (Canada)
Mathies Coal Co. (Pennsylvania)
Tongue River Holdings Inc. (Montana)
Seadock, Inc. (Texas)
Seaway Pipeline, Inc. (Delaware)
Long Beach Oil Development Company (Nevada)
Tidelands Royalty Trust (Texas)

DIAMOND SHAMROCK EXPLORATION COMPANY

Diamond Shamrock Exploration Company is a wholly owned subsidiary of Diamond Shamrock International Energy Company, which is a wholly-owned subsidiary of Diamond Shamrock Corporation. The subsidiary or affiliate is:

Diamond Shamrock Offshore Partners Limited Partnership

HUNT OIL COMPANY

Hunt Oil Company is a privately-owned corporation, which is wholly-owned by Hunt Consolidated Resources Corporation, which is wholly owned by Hunt Financial Corporation. The only subsidiaries of Hunt Oil Company are:

Portal Pipeline Company
Palomo Pipeline Company

INEXCO OIL COMPANY

Inexco Oil Company is a privately-owned corporation.

KERR-McGEE CORPORATION

Kerr-McGee Corporation has no subsidiaries or affiliates with stock or debt securities publicly traded in the United States or Canada.

MARATHON OIL COMPANY

Marathon Oil Company is a wholly-owned subsidiary of United States Steel Corporation. The subsidiaries and affiliates of Marathon Oil Company are:

Marathon Petroleum Company
LOOP, Inc.
Locap, Inc.

MITCHELL ENERGY CORPORATION

Mitchell Energy Corporation has no affiliated companies which are not wholly owned.

MOBIL OIL CORPORATION MOBIL OIL EXPLORATION & PRODUCING SOUTHEAST INC., MOBIL PRODUCING TEXAS & NEW MEXICO INC. and THE SUPERIOR OIL COMPANY

Mobil Oil Corporation, Mobil Oil Exploration & Producing Southeast Inc., Mobil Producing Texas & New Mexico Inc. and The Superior Oil Company are wholly-owned subsidiaries of Mobil Corporation. The subsidiaries and affiliates of Mobil Oil Corporation or Mobil Corporation, whose securities are available for purchase by United States citizens, are:

Marcor Inc.
Mobil Alaska Pipeline Company
Montgomery Ward & Co., Incorporated
Montgomery Ward Credit Corporation

MONSANTO OIL COMPANY

Monsanto Oil Company is a wholly-owned subsidiary of Monsanto Company. Monsanto Oil Company has no subsidiaries or affiliates which are not wholly owned.

PENNZOIL COMPANY
PENNZOIL PRODUCING COMPANY
PENNZOIL OIL & GAS, INC.
PENNZOIL LOUISIANA AND TEXAS OFFSHORE, INC.

The subsidiaries and affiliates (not wholly owned) of Pennzoil Company are:

Eureka Pipe Line Company
National Transit Company
Pennesco, Inc.
Proven Properties, Inc.

PHILLIPS PETROLEUM COMPANY And PHILLIPS 66 NATURAL GAS COMPANY

Phillips 66 Natural Gas Company is a wholly-owned subsidiary of Phillips Petroleum Company. The subsidiaries and affiliates of Phillips Petroleum Company are:

Aero Oil Company
Canada Western Cordage Company Limited
Cochin Refineries Limited
Industrias Negromex, S.A. de CV
Phillips Carbon Black Limited

PLACID OIL COMPANY

Placid Oil Company is a privately-owned corporation. Placid Oil Company has no subsidiaries or affiliates which are not wholly owned.

SHELL OIL COMPANY

Shell Offshore Inc. and Shell Western E&P Inc. are wholly-owned subsidiaries of Shell Oil Company.

Shell Oil Company wholly owns all of the stock of Scallop Coal Corporation and Shell Energy Resources Inc., which company wholly owns all of the stock of Pecten International Company, Shell California Production Inc., Shell Offshore Inc., Shell Mining Company and Shell Western E&P Inc. All of Shell Oil Company's common stock is owned by SPNV Holdings, Inc., a Delaware corporation, whose stock is owned by Shell Petroleum N.V., a Netherlands company. The voting shares of Shell Petroleum N.V. are held sixty percent (60%) by Royal Dutch Petroleum Company and forty percent (40%) by Shell Transport and Trading Company, a Public Limited Company in London, U.K. Shell Oil Company also wholly owns directly or indirectly a number of companies. The following companies are affiliated with Shell Oil Company or one of the affiliates named above, but are not wholly-owned subsidiaries:

Quazite Corporation
First Harlem Securities Corporation
Fractionation Research, Inc.
Gravcap, Inc.
Heat Transfer Research, Inc.
Inland Corporation
LOOP, Inc.
MESBIC Financial Corporation of Houston
Oil Companies Institute for Marine Pollution Compensation Limited
Oil Insurance Limited
Pioneer Equipment Co.
Seadock, Inc.
Pecten Cameroon Company

Thums Long Beach Company
East Texas Salt Water Disposal Company
Grande Ecallie Land Company, Inc.
Van Salt Water Disposal Company
Wyoming Industrial Development Corporation
Cortez Capital Corporation
Plastibeton, Inc.
Butte Pipe Line Company
Dixie Pipeline Company
Explorer Pipeline Company
LOCAP, Inc.
Olympic Pipe Line Company
Plantation Pipe Line Company
West Shore Pipe Line Company
Wolverine Pipe Line Company
Lone Star Polymer Concrete Corporation
General Hydrocarbon Polymer Concrete Inc.
Polycon Research, Inc.
Morrison Molded Fiber Glass Company
Premix/E.M.S. Inc.
Knytex, Inc.
CRI Ventures, Inc.
Glastrusions, Inc.
Glass-Steel, Inc.
Huntsman Chemical Company
Lucky Chance Mining Company, Inc.
George Neuman and Company
United Scientific, Inc.
A.T. Massey Coal Company, Inc.

SUN EXPLORATION AND PRODUCTION COMPANY

Sun Exploration and Production Company is a wholly-owned subsidiary of Sun Company, Inc. The subsidiaries and affiliates (not wholly owned) of Sun Company, Inc. are:

Suncor Inc.
Albersun Pipeline Ltd.
Athabasca Realty Company Limited
Baron Petroleums Inc.
Blake Resources Ltd.
Carnduff Gas Limited
Gow Fuels Inc.
Maywelle Properties Ltd.
Nottingham Gas Limited
NOVA, an Alberta Corporation
Ouimet-Gobeille Inc.
Pacgas Limited
Redwater Water Disposal Company Limited
SMS Petroleums Ltd.
Sultran Ltd.
Sun-Canadian Pipe Line Company Limited
Sun Oil Company of Canada Limited
Suncor Supply Limited
Sunoco Home Comfort Inc.
Muskoka Oil Company Limited
Sunoco Inc.
Chemsun Inc.
Fair Wind Shipping Inc.
Solartech Limited
Sunchem Inc.
Sunchem Shipping Inc.
Sunchem (U.K.) Limited
Trillium Exploration Corporation
Canyon Reef Carriers, Inc.
East Texas Salt Water Disposal Company
Van Salt Water Disposal Company
Lavan Petroleum Company (LAPCO)
Sunray Nigeria Oil Company Unlimited
Venezoil, C.A.
Convenience Store Distributing Company
Sunolin Chemical Company
Hemisphere Oil Company, Inc. - Puerto Rico
Japan Sun Oil Company, Ltd. (Japan)
Lugrasa, S.A. (Panama)

Alaska Bulk Carriers, Inc.
Glacier Bay Transportation Corporation
Explorer Pipeline Company
Inland Corporation
Mid-Valley Pipeline Company
West Texas Gulf Pipe Line Company
White River Shale Oil Corporation
Oil Insurance Limited (Bermuda)
The VLM Corporation
Sundata Corporation

TENNECO OIL COMPANY

Tenneco Oil Company is a wholly-owned subsidiary of Tenneco Corporation, which is a wholly-owned subsidiary of Tenneco Inc. The subsidiaries and affiliates (not wholly owned) of Tenneco Inc. are:

A/S Haustrup-Ekco Aluminum-Emballage
Adela Investment Company, S.A.
Akulu Chemicals (Pty.) Limited
Akulu Marchon (Pty.) Limited
Albright & Wilson (Australia), Ltd.
Albright & Wilson Match Phosphorus Company Ltd.
Albright, Morarji and Pandit Limited (India)
Alcan Ekco Limited
Almi S.A.
American Synthetic Rubber Corporation
Arndale Fuels, Ltd.
Border Gas Inc.
Bracey Petroleum Products, Ltd.
Butler Oil Products Ltd.
COFAP
Case Vibromax GMBH
Collins Pipeline Company
Consolidated Diesel Company
Constructions Mecaniques De Carvin
Corax-Trac S.A.
Deepsea Ventures, Inc.
Depositas Del Norte, S.A.

Derruppe, S.A.
Elston Oils Limited
Etablissement Robert Bellanger, S.A.
F.C. Marine, Inc.
HT Gathering Company
Indonesian Enterprises, Inc.
Intertrac Viehmann & Co.
John Oil Limited
Kern Island Water Company
Kern River Canal and Irrigating Company
Kern River Gas Supply Corporation
Kern River Service Corporation
Marchon-Paragon Sulphonation (Pty.) Ltd.
Materiel Poclain Du Sud Est.
Meaux-Materiel
Mesbic Financial Corporation of Houston
Mil Potrero Mutual Water Company
Mistal Inc.
Monroe Auto Pecas S.A.
Nuodex S.A. Industria E Comercia De Se Cantes
Oasis Pipeline Company
Oil Insurance Limited
P.P.M. Guindastes Hidraulicos S.A.
Poclain S.A.
Poclain Canada Ltee
Poclain Hydraulics, S.A.
Poclain Hydraulics Ireland
Poclain Italiana S.P.A.
Poclain Mexicana, S.A.
Polyphosphates Inc.
Potain-Poclain-Materiel, S.A.
S.A. Paper Chemicals Company
(Proprietary) Limited
STDCO Mutual Water and Sewer Company
Skogstre A/S (Norway)
Societe Financiere D'Etudes Et De Gerance
Societe Mecanique Automobile De Touraine
Societe Mecanique De Tournai
Southern Facilities, Inc.

T & M Terminal Company
Talleres Unidos, S.A.
Tees Storage Limited
Tenn-USS Chemicals Company
Tenngasco Gas Gathering Company
Toyo Ekco Company, Ltd. (Toyo Ekco Kabushiki Kaisha)
Universal Chemical Contractors (Pty.) Ltd.
Vibromax France S.A.R.L.
Vibromax SCI

TEXACO INC.

The subsidiaries and affiliates (not wholly owned) of Texaco Inc. are:

Texaco Canada Incorporated
Texaco Mexicana S.A. de C.V.
Duetsche Texaco Aktiengesellschaft, S.I.A.M.
Texaco Togo
Texaco Nigeria Limited
Texaco Ghana Limited
Refineria Texaco de Honduras S.A.

UNION OIL COMPANY OF CALIFORNIA

Union Oil Company of California is a wholly-owned subsidiary of Unocal. The subsidiaries and affiliates (not wholly owned) of Unocal are:

Kaneb Services, Inc.
Magma Power Company
Union Exploration Partners, Ltd.